

PUBLIC ENTITY RISK POOLS

WASHINGTON STATE
AUDITOR'S OFFICE

July 2001

State Auditor's Office

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PUBLIC ENTITY RISK POOLS REPORTING PACKAGE

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ANNUAL REPORT

(Name of Public Entity Risk Pool)

Submitted pursuant to RCW 43.09.230

to the

STATE AUDITOR'S OFFICE

FOR THE FISCAL YEAR ENDED _____, _____

Certified correct this _____ day of _____, _____

to the best of my knowledge and belief:

NAME _____

TITLE _____

PREPARED BY _____

TELEPHONE NUMBER _____

FAX NUMBER _____

E-MAIL ADDRESS _____

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PUBLIC ENTITY RISK POOLS

1. ESD 101 Unemployment Pool
2. ESD 101 Workers' Compensation Pool
3. ESD 105 Unemployment Pool
4. ESD 105 Workers' Compensation Pool
5. ESD 105 Central Washington Insurance Cooperative Fund
6. ESD 112 Southwest Washington Unemployment Compensation Pool
7. ESD 112 Southwest Washington Workers' Compensation Cooperative
8. ESD 112 Southwest Washington Risk Management Insurance Cooperative
9. ESD 113 Unemployment Compensation Pool
10. ESD 113 Workers' Compensation Trust Fund
11. ESD 113 Insurance Trust Fund
12. ESD 114 Unemployment Compensation Insurance Pool Cooperative
13. ESD 114 Region Workers' Compensation Trust Fund
14. ESD 121 Unemployment Pool Cooperative
15. ESD 121 Workers' Compensation Trust Fund
16. ESD 121 Puget Sound Schools Risk Management Pool
17. ESD 123 Unemployment Pool Cooperative
18. ESD 123 Southeastern Washington Workers' Compensation Cooperative
19. ESD 171 Unemployment Pool
20. ESD 171 North Central Washington Workers' Compensation Trust
21. ESD 189 Operating Fund of the Unemployment Pool Cooperative
22. ESD 189 Operating Fund of the Labor and Industries Workers' Compensation Trust
23. ESD 189 Operating Fund of the Workers' Compensation Cooperative Joint Board
24. Schools Insurance Association of Washington
25. Washington Cities Insurance Authority Workers' Compensation Group Retro Program
26. Washington Cities Insurance Authority
27. Eastern Washington School District Insurance Group
28. Cities Insurance Association of Washington
29. Cities Insurance Association of Washington Workers, Compensation Group Retro Program
30. Washington Governmental Entity Pool
31. Association of Washington Cities Risk Management Service Agency
32. Association of Washington Cities Employee Benefits Trust
33. Washington Counties Risk Pool
34. Washington Counties Insurance Fund
35. Water and Sewer Insurance Pool
36. Housing Authority Risk Retention Pool
37. Washington Public Utility District's Utilities System Joint Self-Insurance Fund
38. Washington State Transit Insurance Pool
39. Central Washington Public Utilities Insurance Program Trust
40. Shoreline School District #412 Health and Welfare Self-Insurance Program

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RISK POOLS

FINANCIAL STATEMENTS

GENERAL INSTRUCTIONS

Financial statements should be presented in one of the following methods:

- Separate Reporting - Almost all public entity risk pools stand alone as a separate accounting and reporting entity. These pools are required to have full-accrual accounting systems and conform to generally accepted accounting principles applicable to proprietary funds of governmental units.
- Component Unit Reporting - Unemployment insurance pools and workers' compensation pools that are a component unit of an Educational Service District (ESD), or other governmental entities, must be presented in their primary government (e.g., ESD) financial statements in the component unit column(s). They also should acknowledge their relationship with that entity in the notes to the financial statements and in the headings of their own statements (e.g., "_____ Pool, a Component Unit of the _____ ESD").
- Pools that are included as part of a combined general government reporting entity that do not issue separate financial reports should present the required supplementary information described in Section 5 as statistical information in the combined entity's comprehensive annual financial report.

Blank formats of financial statements applicable to public entity risk pools have been provided in this document. The Statement of Cash Flows may be presented using either the direct method (E-1A) or the indirect method (E-1B). Include only those accounts used by your pool. Prior year information (optional) should be taken from the prior year's financial statements.

When presenting comparative financial statement information, show current year data in the left hand column and prior year data in the right hand column. If you did not prepare a particular statement type last year, you will not be able to prepare that statement on a comparative basis for this year. In that case, eliminate the prior year column of data and date the form for the current year only.

(Pool Name)
(COMPARATIVE)* BALANCE SHEET
_____, _____ and _____*

ASSETS

Investments:

United States Treasury Notes	\$ _____	\$ _____
------------------------------	----------	----------

Certificates of Deposit	_____	_____
-------------------------	-------	-------

Securities Purchased Under Agreements to Resell	_____	_____
---	-------	-------

Total Investments	\$ _____	\$ _____
-------------------	----------	----------

Cash and Cash Equivalents	_____	_____
---------------------------	-------	-------

Funds on Deposit _____	_____	_____
------------------------	-------	-------

Member Assessments Receivable	_____	_____
-------------------------------	-------	-------

Insurance Recoverable	_____	_____
-----------------------	-------	-------

Accrued Interest	_____	_____
------------------	-------	-------

Prepaid Expenses _____	_____	_____
------------------------	-------	-------

Property and Equipment (Net of Accumulated Depreciation)	_____	_____
--	-------	-------

TOTAL ASSETS	\$ _____	\$ _____
--------------	----------	----------

LIABILITIES AND MEMBERS' FUND BALANCE

Liabilities:

Claim Reserves	\$ _____	\$ _____
----------------	----------	----------

Reserve for Unallocated Loss Adjustment Expenses	_____	_____
--	-------	-------

Accounts Payable	_____	_____
------------------	-------	-------

Unearned Member Assessments	_____	_____
-----------------------------	-------	-------

Notes Payable	_____	_____
---------------	-------	-------

Compensated Absences	_____	_____
----------------------	-------	-------

Other	_____	_____
-------	-------	-------

Total Liabilities	\$ _____	\$ _____
-------------------	----------	----------

Members' Fund Balance:

Designated	\$ _____	\$ _____
------------	----------	----------

Undesignated	_____	_____
--------------	-------	-------

Total Members' Fund Balance	\$ _____	\$ _____
-----------------------------	----------	----------

TOTAL LIABILITIES AND MEMBERS' FUND BALANCE	\$ _____	\$ _____
--	----------	----------

SEE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS.

* Prior year presentation is optional.

(Pool Name)
(COMPARATIVE)* STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN MEMBERS' FUND BALANCE
For The Fiscal Year(s) Ended _____, _____ and _____*

	_____	_____*
REVENUES:		
Member Assessments	\$ _____	\$ _____
Late Payment Assessments	_____	_____
Supplemental Assessments	_____	_____
Adjustment of Prior Years' Supplemental Assessments	_____	_____
Application Fees _____	_____	_____
Interest Income	_____	_____
Lease Income	_____	_____
Other	_____	_____
Total Revenues	\$ _____	\$ _____
EXPENSES:		
Claims Paid on Current Losses	\$ _____	\$ _____
Established Claim Reserves	_____	_____
Adjustment to Prior Years' Claim Reserves	_____	_____
Excess Insurance Premiums	_____	_____
Insurance Services:		
Claims Adjustment	_____	_____
Brokerage Fee	_____	_____
Other Insurance Services	_____	_____
Unallocated Loss Adjustment Expenses	_____	_____
General and Administrative Expenses	_____	_____
Other	_____	_____
Total Expenses	\$ _____	\$ _____
Revenues Over Expenses Before Cumulative Effect of		
Accounting Change	\$ _____	\$ _____
Cumulative Effect of Accounting Change	_____	_____
Total Revenues Over Expenses	\$ _____	\$ _____
Members' Fund Balance, Beginning of Year	\$ _____	\$ _____
Members' Fund Balance, End of Year	\$ _____	\$ _____

SEE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS.

* Prior year presentation is optional.

(Pool Name)
(COMPARATIVE)* STATEMENT OF CASH FLOWS
For The Fiscal Year(s) Ended _____, _____ and _____*

	_____	_____*
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash Received from Members	\$ _____	\$ _____
Cash Payments to Suppliers for Goods and Services	_____	_____
Cash Payments to Employees for Services	_____	_____
Other Operating Revenues	_____	_____
Net Cash Provided (Used) for Operating Activities	\$ _____	\$ _____
 CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:		
Proceeds from Issuance of Notes	\$ _____	\$ _____
Principal Payments on Notes	_____	_____
Net Cash Provided (Used) for Noncapital Financing Activities	\$ _____	\$ _____
 CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Purchase of Office Facility	\$ _____	\$ _____
Proceeds from Sale of Equipment	_____	_____
Net Cash Provided (Used) for Capital Financing Activities	\$ _____	\$ _____
 CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from Sales of Investments	\$ _____	\$ _____
Purchases of Investments	_____	_____
Interest Received	_____	_____
Net Cash Provided (Used) for Investing Activities	_____	_____
Increase (Decrease) in Cash and Cash Equivalents	\$ _____	\$ _____
Cash and Cash Equivalents, Beginning of Year	_____	_____
Cash and Cash Equivalents, End of Year	\$ _____	\$ _____

SEE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS.

* Prior year presentation is optional.

(Pool Name)
RECONCILIATION SCHEDULES: NET OPERATING INCOME TO NET CASH
PROVIDED (USED) FOR OPERATING ACTIVITIES
For The Fiscal Year(s) Ended _____, _____ and _____*

	_____	_____*
CASH FLOWS FROM OPERATING ACTIVITIES:		
Revenues Over Expenses Before Cumulative Effect of Accounting Change	\$ _____	\$ _____
Items Not Affecting Cash:		
Depreciation Expenses	_____	_____
(Increase) Decrease in Accrued Interest	_____	_____
Provision for Unallocated Loss Adjustment Expenses	_____	_____
Increase (Decrease) in Unearned Member Assessments _____	_____	_____
(Increase) Decrease in Member Assessments Receivable	_____	_____
(Increase) Decrease in Other Prepaid Expenses	_____	_____
(Increase) Decrease in Insurance Recoverable	_____	_____
Increase (Decrease) in Claim Reserve	_____	_____
Increase (Decrease) in Payables	_____	_____
Increase (Decrease) in Other Liabilities	_____	_____
Cumulative Effect of Accounting Change	_____	_____
Net Cash Provided (Used) for Operating Activities	\$ _____	\$ _____

SEE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS.

NOTE: If the direct method is used, this reconciliation should be presented either as a separate schedule (on the same page or on a page following the statement of cash flows) or in the notes to the financial statements. If the indirect method is chosen, the reconciliation should be presented within the statement of cash flows.

* Prior year presentation is optional.

(Pool Name)
(COMPARATIVE)* STATEMENT OF CASH FLOWS
For The Fiscal Year(s) Ended _____, _____ and _____*

	_____	_____*
CASH FLOWS FROM OPERATING ACTIVITIES:		
Revenues Over Expenses Before Cumulative Effect of Accounting Change	\$ _____	\$ _____
Items Not Affecting Cash:		
Depreciation Expenses	_____	_____
(Increase) Decrease in Accrued Interest	_____	_____
Provision for Unallocated Loss Adjustment Expenses	_____	_____
Increase (Decrease) in Unearned Member Assessments	_____	_____
(Increase) Decrease in Member Assessments Receivable	_____	_____
(Increase) Decrease in Other Prepaid Expenses	_____	_____
(Increase) Decrease in Insurance Recoverable	_____	_____
Increase (Decrease) in Claim Reserve	_____	_____
Increase (Decrease) in Payables	_____	_____
Increase (Decrease) in Other Liabilities	_____	_____
Cumulative Effect of Accounting Change	_____	_____
Net Cash Provided (Used) for Operating Activities	\$ _____	\$ _____
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:		
Proceeds from Issuance of Notes	\$ _____	\$ _____
Principal Payments on Notes	_____	_____
Net Cash Provided (Used) for Noncapital Financing Activities	\$ _____	\$ _____
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Purchase of Office Facility	\$ _____	\$ _____
Proceeds from Sale of Equipment	_____	_____
Net Cash Provided (Used) for Capital Financing Activities	\$ _____	\$ _____

SEE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS.

* Prior year presentation is optional.

(Pool Name)
(COMPARATIVE)* STATEMENT OF CASH FLOWS
For The Fiscal Year(s) Ended _____, _____ and _____*

	_____	_____*
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from Sales of Investments	\$ _____	\$ _____
Purchases of Investments	_____	_____
Interest Received	_____	_____
Net Cash Provided (Used) for Investing Activities	\$ _____	\$ _____
Increase (Decrease) in Cash and Cash Equivalents	\$ _____	\$ _____
Cash and Cash Equivalents, Beginning of Year	_____	_____
Cash and Cash Equivalents, End of Year	\$ _____	\$ _____

SEE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS.

* Prior year presentation is optional.

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RISK POOLS

INDIVIDUAL FUND STATEMENTS

GENERAL INSTRUCTIONS

Examples of individual fund statements applicable to public entity risk pools have been attached for reference purposes only. These statements are to be prepared by all public entity risk pools that account for more than one pool type in their financial statements.

Each statement should include only accounts used by that particular type of pool.

Prior year information (optional) should be taken from the prior year's financial statements. When presenting comparative financial statement information, show current year data in the left hand column and prior year data in the right hand column.

(Pool Name)

(Fund)
(COMPARATIVE)* STATEMENT OF REVENUES AND EXPENSES
For The Fiscal Year(s) Ended _____, _____ and _____*

	_____	_____*
REVENUES:		
Modified Standard Premium	\$ _____	\$ _____
Interest Income	_____	_____
Office Lease	_____	_____
P/L Interfund Transfer	_____	_____
Total Revenues	\$ _____	\$ _____
EXPENSES:		
Administrative Expenses	\$ _____	\$ _____
Excess Insurance Premium	_____	_____
Bond Premium	_____	_____
Claims Administration	_____	_____
Loss Prevention Service	_____	_____
Brokerage Fee	_____	_____
Premium Tax and Second Injury Fund	_____	_____
Claims Paid	_____	_____
Claims Incurred But Not Paid	_____	_____
Claims Incurred But Not Reported	_____	_____
Total Expenses	\$ _____	\$ _____
EXCESS OF REVENUES OVER EXPENSES	\$ _____	\$ _____

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THIS STATEMENT.

* Prior year presentation is optional.

(Pool Name)

(Fund)

(COMPARATIVE)* STATEMENT OF REVENUES AND EXPENSES
For The Fiscal Year(s) Ended _____, _____ and _____*

REVENUES:

	_____	_____*
Member Annual Assessments	\$ _____	\$ _____
Supplemental Assessments	_____	_____
Late Payment Assessments	_____	_____
Application Fees	_____	_____
Interest Income	_____	_____
Office Lease	_____	_____
Miscellaneous	_____	_____
Total Revenues	\$ _____	\$ _____

EXPENSES:

Administrative Expenses	\$ _____	\$ _____
Excess Insurance Premium	_____	_____
Property Appraisal	_____	_____
Claims Administration	_____	_____
Loss Prevention Service	_____	_____
Brokerage Fee	_____	_____
Claims Paid	_____	_____
Claims Incurred But Not Paid	_____	_____
Claims Incurred But Not Reported	_____	_____
Prior Years Reserve Adjustment	_____	_____
WC Interfund Transfer	_____	_____
Total Expenses	\$ _____	\$ _____

EXCESS OF REVENUES OVER EXPENSES	\$ _____	\$ _____
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THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THIS STATEMENT.

* Prior year presentation is optional.

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RISK POOLS

NOTES TO FINANCIAL STATEMENTS

GENERAL INSTRUCTIONS

The sample Notes To Financial Statements which follow were designed to provide the disclosures required for public entity risk pools. They are intended to furnish you with ways of phrasing the disclosures you will need to make. Be sure to revise these sample documents to fit the unique circumstances of your pool, to delete disclosures that do not apply to your operations, and to add others that we did not include but which are needed to help a reader understand your financial statements.

Public entity risk pools must make at least the following disclosures:

- (1) A description of the risk transfer or pooling agreement, including the rights and responsibilities of the pool and the pool participants. Also, include a brief description of the number and types of entities participating in the pool.
- (2) The basis for estimating the liabilities for unpaid claims and claim adjustment expenses. State that the liabilities are based on the estimated ultimate cost of settling the claims, including the effects of inflation and other societal and economic factors.
- (3) The nature of acquisition costs capitalized, the method of amortizing those costs, and the amount of those costs amortized for the period.
- (4) The face amount and carrying amount of liabilities for unpaid claims and claim adjustment expenses that are presented at present value in the financial statements and the range of annual interest rates used to discount those liabilities.
- (5) Whether the pool considers anticipated investment income in determining if a premium deficiency exists.
- (6) The nature and significance of excess insurance or reinsurance transactions to the pool's operations, including the type of coverage, reinsurance premiums ceded, and estimated amounts that are recoverable from excess insurers and reinsurers and that reduce the liabilities as of the balance sheet date for unpaid claims and claim adjustment expenses.
- (7) A reconciliation of total claims liabilities, including an analysis of changes in aggregate liabilities for claims and claim adjustment expenses for the current fiscal year and the prior fiscal year, in this tabular format:
 - (a) Amount of liabilities for unpaid claims and claim adjustment expenses at the beginning of each fiscal year.
 - (b) Incurred claims and claim adjustment expenses:
 - Provision for insured events of the current fiscal year.
 - Increase (decrease) in the provision for insured events of prior fiscal years.
 - (c) Payments:
 - Claims and claim adjustment expenses attributable to insured events of the current fiscal year.
 - Claims and claim adjustment expenses attributable to insured events of prior fiscal years.

- (d) Other. (Provide an explanation of each material item.)
 - (e) Amount of liabilities for unpaid claims and claim adjustment expenses at the end of each fiscal year.
- (8) The aggregate outstanding amount of liabilities for which annuity contracts have been purchased from third parties in the claimants' names and the related liabilities have been removed from the balance sheet. (Annuity contracts used to settle claims for which the claimant has signed an agreement releasing the entity from further obligation and for which the likelihood that the pool will be required to make future payments on those claims is remote should not be included in this disclosure.)

_____^{1/}
(Pool Name)
NOTES TO FINANCIAL STATEMENTS
For The Fiscal Year(s) Ended _____, _____ and _____, _____

The notes are an integral part of the accompanying financial statements.

NOTE 1 - GENERAL

(Several alternatives with sample text are presented below. Include a list of all participating members of the risk pool on a separate schedule (Schedule T-2).)

(Alternative No. 1, Description of the Public Entity Risk Pool.^{2/}

See accompanying Notes To Financial Statements on page 8-1 which all public entity risk pools must prepare and send to each participating member to be included in their notes to the annual financial reports.)

(Or, Alternative No. 2, Description of the Pool.

The (pool name) (Pool) was organized in _____, _____ to provide a program of property and casualty and employee health and accident coverage for its member organizations. In accordance with (statute), all political subdivisions in the state of _____ are eligible to participate. The program's general objectives are to formulate, develop, and administer, on behalf of the member political subdivisions, a program of insurance, to obtain lower costs for that coverage, and to develop a comprehensive loss control program. Political subdivisions joining the Pool must remain members for a minimum of _____ years; a member may withdraw from the Pool after that time by giving _____ months notice. Subdivisions applying for membership in the Pool may do so on approval of two-thirds vote of the board of the Pool. The Pool underwriting and rate-setting policies have been established after consultation with actuaries. The Pool members are not subject to a supplemental assessment in the event of deficiencies. Annual premium increases are limited to _____ percent of the prior year's premium. If the assets of the Pool were to be exhausted, members would not be responsible for the Pool's liabilities. Pool members currently include _____ cities with populations ranging from _____ to _____ and _____ counties with populations ranging from _____ to _____.^{2/}

(Or, Alternative No. 3, Description of the Organization.

The (pool name) (Pool) was formed in _____ under a joint powers agreement in accordance with (statute) of the state of _____. The agreement is to provide a cooperative program of group funding and risk management of property and casualty, workers' compensation, and employee health and medical claims for the employees of the Cities of "X," "Y," and "Z." The Pool is not intended to function as an insurance company for the cities. Rather, it is a means of combining the administration of claims and of obtaining lower insurance rates. Although premiums billed to the cities are determined on an actuarial basis, ultimate liability for claims remains with the respective cities and, accordingly, the insurance risks are not transferred to the Pool.)^{2/}

^{1/} Insert the official name of the public entity risk pool.

^{2/} If the risk pool is a component unit of another entity, the pool should acknowledge that relationship in this note. The risk pool should identify the primary government and describe the relationship with it.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the (pool name)^{1/} conform to generally accepted accounting principles as applicable to proprietary funds of governmental units (in most respects). The following is a summary of the more significant policies (including identification of those policies which result in material departures from generally accepted accounting principles):

a. Basis Of Accounting And Presentation

The accounting records of the Pool are maintained in accordance with methods prescribed by the State Auditor's Office under the authority of Chapter 43.09 RCW. The Pool also follows the accounting standards established by the Governmental Accounting Standards Board (GASB) Statement 10, *Accounting And Financial Reporting For Risk Financing And Related Insurance Issues*, as amended by the GASB Statement 30, *Risk Financing Omnibus* and the GASB 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Funds*.

The Pool uses the full-accrual basis of accounting where revenues are recognized when earned and expenses are recognized when incurred.^{2/} Fixed asset purchases are capitalized and long-term liabilities are accounted for in the (appropriate) fund(s).

(Unbilled receivables are recorded at year end.)^{3/}

b. Fixed Assets And Depreciation

See Note ____.^{4/}

^{1/} Insert the official name of the public entity risk pool.

^{2/} If modified-accrual recognition principles are used for any reason, be sure to disclose: (a) their identity; and, (b) that such approaches are not in accordance with generally accepted accounting principles (GAAP).

^{3/} If material receivables are not accrued at year-end, this should be disclosed along with the clause, "which is a departure from generally accepted accounting principles."

^{4/} Insert note number for disclosure of fixed assets.

c. Restricted Funds

In accordance with bond resolutions (and certain related agreements), separate restricted funds are required to be established. The assets held in these funds are restricted for specific uses, including (construction,) debt service and other special reserve requirements.

d. Receivables^{1/}

e. Inventories

Inventories are valued at _____^{2/} which approximates the market value.

f. Investments

See Note ____.^{3/}

g. Amortization Of Contributed Capital

In accordance with the prescribed system(s) of accounts, the Pool amortizes contributed capital by amounts that equal the annual depreciation on assets acquired with that capital.

^{1/} Disclose the policy for estimating and writing off uncollectible accounts.

^{2/} Insert "FIFO-first in, first out," "average cost," etc. If "LIFO-last in, first out," is used, omit the phrase about market value.

^{3/} Insert note number for disclosure of investments (i.e., Note 3 in this sample).

h. Compensated Absences

Compensated absences are absences for which employees will be paid, such as vacation (and sick) leave. The Pool records unpaid leave for compensated absences as an expense and liability when incurred.

Vacation pay, which may be accumulated up to _____ days and is payable upon resignation, retirement or death.

Sick leave may accumulate (indefinitely/up to _____ hours).^{1/}

i. Direct Charge (Or Credit) To Retained Earnings

In accordance with its prescribed system of accounts, the Pool has (charged or credited) \$_____ directly to retained earnings. This is a departure from generally accepted accounting principles, which requires such (charges or credits) be included in net income of the period.^{2/}

j. Unamortized Debt Expense

Costs relating to the sale of bonds are deferred and amortized over the lives of the various bond issues.

k. Construction Financing^{3/}

l. Purchase Commitments^{4/}

^{1/} If the pool has a policy that allows a payment for accrued sick leave upon resignation/termination, include a text to reflect this policy. For example:

(Upon resignation, any outstanding sick leave is lost.)

(Sick leave does not vest until death or retirement thus no current liability is recognized.)

(If an employee terminates with at least ten years of service, he or she will be paid for sick leave balances up to thirty days, at one-half his or her final pay rate.), etc.

^{2/} Be sure to explain the circumstances.

^{3/} This note should disclose any cost-sharing agreements or other long-term financing or credit agreements that the pool has entered into.

^{4/} This note should disclose any long-term purchase commitments, take-or-pay agreements, etc.

m. Unpaid Claims Liabilities

The Pool establishes claims liabilities based on estimates of the ultimate cost of claims, including future claim adjustment expenses, that have been reported but not settled, and claims that have been incurred but not reported.

The length of time for which such costs must be estimated varies depending on the coverage involved. Estimated amounts of salvage and subrogation and reinsurance recoverable on unpaid claims are deducted from the liability for unpaid claims. Because actual claims costs depend on such complex factors as inflation, changes in doctrines of legal liability, and damage awards, the process used in computing claims liabilities does not necessarily result in an exact amount, particularly for coverages such as general liability. Claims liabilities are recomputed periodically using a variety of actuarial and statistical techniques to produce current estimates that reflect recent settlements, claim frequency, and other economic and social factors. A provision for inflation in the calculation of estimated future claims costs is implicit in the calculation because reliance is placed both on actual historical data that reflect past inflation and on other factors that are considered to be appropriate modifiers of past experience. Adjustments to claims liabilities are charged or credited to expense in the periods in which they are made.

n. Deferred Policy Acquisition Costs

Acquisition costs, which consist primarily of salaries, inspection and medical exam fees, and certain underwriting expenses, vary with, and are primarily related to, the issuance of new insurance policies. These costs are deferred and amortized on a straight-line basis over the life of the insurance contract. Deferred acquisition costs are reviewed periodically to determine if they are recoverable from future income, including investment income. If the deferred costs are not recoverable, they are charged to expense in the period of the review. Amortization of deferred costs in _____ and _____ were \$_____ and \$_____, respectively.

o. Reinsurance

The Pool uses reinsurance agreements to reduce its exposure to large losses on all types of insured events. Reinsurance permits recovery of a portion of losses from reinsurers, although it does not discharge the primary liability of the Pool as direct insurer of the risks reinsured. The Pool does not report reinsured risks as liabilities unless it is probable that those risks will not be covered by reinsurers. The amount deducted from claims liabilities as of _____, _____ and _____, _____ for reinsurance was \$_____ and \$_____, respectively. Premiums ceded to reinsurers during _____ and _____ were \$_____ and \$_____, respectively.

p. Member Assessments And Unearned Member Assessments

Member assessments are collected in advance and recognized as revenue in the period for which insurance protection is provided. The assessment is calculated based on _____.^{1/}

q. Claims Reserves

Claims are charged to income as incurred. Claim reserves represent the accumulation of estimates for reported, unpaid claims, plus a provision for claims incurred, but not reported. These estimates are continually reviewed and updated, and any resulting adjustments are reflected in current earnings.

^{1/} Describe the basis of the calculation for member assessments.

r. Reserve For Unallocated Loss Adjustment Expenses

The reserve for unallocated loss adjustment expenses represents the estimated cost to be incurred with respect to the settlement of claims in process and claims incurred but not reported. Management estimates this liability at the end of each year based upon cost estimated provided by the third party administrator. The change in the liability each year is reflected in current earnings.

s. Exemption From Federal And State Taxes

Pursuant to revenue ruling number 90-74, income of Municipal Risk Pools is excluded from gross income under IRC Section 115(1).

Chapter 48.62 RCW exempts the Pool from insurance premium taxes, and business and occupation taxes imposed pursuant to Chapter 82.04 RCW.

t. Cash And Cash Equivalents

For purposes of the Statement of Cash Flows, the (pool name) considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

NOTE 3 - DEPOSITS AND INVESTMENTS

As required by state law, all deposits and investments of the Pool's funds (except as noted below) are in obligations of the U.S. Government, U.S. agency issues, obligations of the state of Washington, general obligations of Washington State municipalities, (the State Treasurer's Investment Pool,) (bankers' acceptances,) certificates of deposit with Washington State banks, savings and loan institutions, or other investments allowed by Chapter 39.59 RCW. (Investments of (pension/nonexpendable) trust funds are not subject to the preceding limitations.)

All temporary investments are stated at _____. ^{1/} Other property and investments are shown on the balance sheet at _____. ^{1/}

(Other property consists of real estate held (for the production of (rental) income) ((and/or) for future use).)

The Pool's deposits and certificates of deposit are entirely covered by federal depository insurance (FDIC) or by collateral held in a multiple financial institution collateral pool administered by the Washington Public Deposit Protection Commission (PDPC).

The Pool's investments are categorized to give an indication of the risk assumed at year-end. The following summary shows the Pool's investments at year-end categorized by risk. Category 1 includes investments that are either insured, registered or held by the Pool or its agent in the Pool's name. Category 2 includes uninsured and unregistered investments which are held by the counterparty's trust department or agent in the Pool's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty, or its trust department or agent but not in the Pool's name.

^{1/} Disclose the following:

- a. The methods and significant assumptions used to estimate the fair value of investments, if that fair value is based on other than quoted market prices.
- b. The policy for determining which investments, if any, are reported at amortized cost.
- c. For any investments in external investment pools that are not SEC-registered, a brief description of any regulatory oversight for the investment pool and whether the fair value of the position in the pool is the same as the value of the pool shares.
- d. Any involuntary participation in an external investment pool.
- e. If risk management pool cannot obtain information from an investment pool sponsor to allow it to determine the fair value of its investment in the pool, the methods used an significant assumptions made in determining that fair value and the reasons for having had to make such an estimate.
- f. Any income from investments associated with one fund that is assigned to another funds.

(For more detail, see the GASB Statement 31.)

	1	Category 2	3	Total
Repurchase Agreements	\$_____	\$_____	\$_____	\$_____
U.S. Government Securities	_____	_____	_____	_____
Bankers' Acceptances	_____	_____	_____	_____
Other Investments – list by type	_____	_____	_____	_____
Total	\$_____	\$_____	\$_____	\$_____
Investments not Subject to Categorization:				\$_____
Investment in State Treasurer's Investment Pool				_____
Reverse Repurchase Agreements ^{1/}				_____
Other Investments – list by type				_____
Total Investments				\$_____

DERIVATIVES AND SIMILAR TRANSACTIONS ^{2/}

SECURITIES LENDING TRANSACTIONS ^{3/}

(GAIN AND LOSSES ON INVESTMENTS) ^{4/}

^{1/} If the public entity risk pool uses reverse repurchase agreements, include the following:

State statutes permit the (pool name) to enter into reverse repurchase agreements, that is, a sale of securities with a simultaneous agreement to repurchase them in the future at the same price plus a contracted rate of interest. The fair value of the securities underlying reverse repurchase agreements normally exceeds the cash received, providing the dealers a margin against a decline in fair value of the securities. If the dealers default on their obligations to resell these securities to the (pool name) or provide securities or cash of equal value, the (pool name) would suffer an economic loss equal to the difference between the fair value plus accrued interest of the underlying securities and the agreement obligation, including accrued interest. The credit exposure at year-end was \$_____.

All sales of investments under reverse repurchase agreements are for fixed terms. In investing the proceeds of reverse repurchase agreements, the (pool name) policy is for the term to maturity of the investment to be the same as the term of the reverse repurchase agreement. Such matching existed at the year end.

^{2/} Derivatives are generally defined as contracts whose value depends on, or *derives* from, the value of an underlying asset, reference date, or index. For more information see GASB Technical Bulletin No. 94-1, *Disclosures about Derivatives and Similar Debt and Investment Transactions*.

This disclosure is necessary if the risk pool has used, held, or sold any derivatives or similar instruments during the period covered by the financial statements, or if the pool participated in an investment pool or mutual fund that used, held, or sold derivatives during the period, regardless of whether the assets or liabilities resulting from those transactions are reported on the balance sheet.

(FOOTNOTES CONTINUED)

The note should include:

- nature of transaction,
- reason for entering into transaction,
- discussion of the risk pool's exposure to credit risk, market risk, and legal risk (the discussion of risk should be made only to the extent that these risks are above and beyond those risks that are apparent in the financial statements or are otherwise disclosed in the notes to the financial statements).
- if information about derivative in investment pools or mutual funds is not available, that fact should be disclosed.

3/ If in the period covered by the financial statements, the pool participated in the securities lending transactions, the following information should be disclosed:

- ① source of legal or contractual authorization for the securities lending transactions;
- ② general description of the securities lending transactions;
 - type of securities lent,
 - type of collateral received,
 - whether the pool has the ability to pledge or sell collateral securities without a borrower default,
 - the amount by which the value of the collateral provided is required to exceed the value of underlying securities,
 - any restrictions on the amount of the loans that can be made,
 - any loss indemnification (i.e., a securities lending agent's guarantee that it will protect the lender from certain losses),
 - fair values of underlying securities at the balance sheet date;
- ③ whether the maturities of the investments made with cash collateral generally match the maturities of their securities loans, as well as the extent of such matching at the balance sheet date;
- ④ the amount of credit risk, if any, related to the securities lending transactions (if the lender has not credit risk, that fact should be stated);
- ⑤ the amount of any losses on the securities lending transactions during the period resulting from the default of a borrower or lending agent and amounts recovered from prior period losses, if not separately disclosed in the operating statement.

(For more details, see the GASB Statement 28, *Accounting and Financial Reporting for Securities Lending Transactions*)

- 4/ Pools may disclose realized gains and losses computed as the difference between the proceeds of the sale and the original cost of the investments sold. They also should disclose that:
- a. The calculation of realized gains and losses is independent of a calculation of the net change in the fair value of investments.
 - b. Realized gains and losses on investments that had been held in more than one fiscal year and sold in the current year were included as a change in the fair value of investments reported in the prior year(s) and the current year.

(For more details, see the GASB Statement 31.)

NOTE 4 - LONG-TERM DEBT 1/

NOTE 5 - SELF-INSURED RETENTION

The Pool retains responsibility for the payment of claims within specified self-insured retention limits prior to the application of coverage provided by its excess insurance contracts.

Fiscal Year ____ 2/

For fiscal year ____ 2/, the Pool's per-occurrence retention limit is \$ _____ for liability claims and \$ _____ for nonliability claims. For individual claims of less than \$ _____, the Pool's annual aggregate retention for all lines coverage is \$ _____. For liability claims greater than \$ _____ but less than \$ _____, the Pool's annual aggregate retention is \$ _____.

Through a combination of fund balance designated at _____, ____ 3/, and member assessments earned at _____, ____ 4/, the Pool committed assets of \$ _____ specifically for the purpose of funding these retentions for fiscal year ____ 2/.

Fiscal Year ____ 4/

For fiscal year ____ 4/, the Pool's per-occurrence retention limit is \$ _____ for liability claims and \$ _____ for crime claims, and \$ _____ for other nonliability claims. For individual workers' compensation claims of less than \$ _____, the Pool's annual aggregate retention is \$ _____, and unlimited for individual crime claims of less than \$ _____, property claims of less than \$ _____, and liability claims of less than \$ _____.

Through a combination of fund balance designated at _____, ____ 3/ and member assessments earned at _____, ____ 5/, the Pool committed assets of \$ _____ specifically for the purpose of funding these retentions for fiscal year ____ 4/.

Fiscal Year ____ 6/

Through a combination of fund balance designated at _____, ____ 3/ and member assessments to be earned at _____, ____ 5/, the Pool has committed assets of \$ _____ specifically for the purpose of funding its self-insured retentions in fiscal year ____ 6/.

1/ The note should disclose any long-term debt issued by the pool. Describe the debt, provide maturity dates, schedule of future payments by year for the next five years and add a line which shows total payments for all years thereafter. You may disclose the pool's compliance with restrictions, such as the ratio of operating revenues to debt service requirements.

2/ Previous fiscal year.

3/ Insert the previous fiscal year ending date.

4/ Current fiscal year.

5/ Insert the next fiscal year beginning date.

6/ Next fiscal year.

NOTE 6 - EXCESS INSURANCE CONTRACTS

The Pool maintains excess insurance contracts with several insurance carriers which provide various limits of coverage over the Pool's self-insured retention limits. The limits provided by these excess insurance contracts are as follows:

<u>Excess Insurance Contracts</u>	<u> 1/</u>	<u> 2/</u>
General Liability	\$ _____	\$ _____
Automobile Liability	_____	_____
Public Officials Liability	_____	_____
Police Professional Liability	_____	_____
Gas Liability	_____	_____
Workers' Compensation	_____	_____
Property	100% Replacement Cost Per Location	100% Replacement Cost Per Location
Crime	_____	_____
All Lines Aggregate	_____	_____
Workers' Compensation Aggregate	_____	_____
Excess Liability Aggregate	_____	_____

Per-occurrence coverage limits provided by the Pool, including the excess insurance limits combined with the Pool's self-insured retention limits are as follows:

<u>Excess Insurance Contracts</u>	<u> 1/</u>	<u> 2/</u>
General Liability	\$ _____	\$ _____
Automobile Liability	_____	_____
Public Officials Liability	_____	_____
Police Professional Liability	_____	_____
Gas Liability	_____	_____
Workers' Compensation	_____	_____
Property	100% Replacement Cost Per Location	100% Replacement Cost Per Location
Crime	_____	_____

NOTE 7 - MEMBERS' SUPPLEMENTAL ASSESSMENTS AND CREDITS

The Interlocal Governmental Agreement provides for supplemental assessments to members based on actual claim experience. During fiscal year ____1/, the Pool did not make a supplemental assessment. In ____2/, the Pool recorded supplemental assessments of \$_____, pursuant to this provision. In addition, during ____2/, prior year supplemental assessments were reduced by \$_____.

The Interlocal Governmental Agreement provides that surplus members' fund balance be used to credit future annual assessments. For the years ended _____, ____1/ and ____2/, member assessments are presented net of such credits of \$_____ and \$_____, respectively. The board of directors has designated \$_____ of members' fund balance for this purpose for the fiscal year ending _____, ____.

1/ Insert reported current fiscal year.

2/ Insert reported previous year.

NOTE 8 - PROPERTY AND EQUIPMENT

Capital assets (and other fixed assets) are recorded at _____.^{1/} Donations by developers (and customers) are recorded at the contract price or donor cost or appraised value.

(Although the Pool amortizes contributed capital, it has elected not to record the related depreciation expense, which is a departure from generally accepted accounting principles.)

(The original cost of operating property retired or otherwise disposed of and the cost of installation, less salvage, is charged to accumulated depreciation.) (However, in the case of the sale of a significant operating unit or system, the original cost is removed from the Pool capital assets accounts, accumulated depreciation is charged with the accumulated depreciation related to the property sold, and the net gain or loss on disposition is credited or charged to income.)

(An allowance for funds used during construction is capitalized as part of the cost of Pool capital assets. The procedure is intended to remove the cost of financing construction activity from the income statement and to treat such cost in the same manner as construction labor and material costs.)

Depreciation is computed using the _____^{2/} method with useful lives of _____^{3/} to _____^{3/} years. (Initial depreciation on capital assets is recorded in the year subsequent to purchase.)

(Preliminary costs incurred for proposed projects are deferred pending construction of the facility. Costs relating to projects ultimately constructed are transferred to the appropriate capital asset account; charges that relate to abandoned projects are expensed.)

Property and equipment consisted of the following at _____, _____ and _____:

	_____	_____
Land	\$ _____	\$ _____
Buildings	_____	_____
Capital Leases	_____	_____
Equipment	_____	_____
Construction in Progress	_____	_____
_____	_____	_____
Less Accumulated Depreciation	_____	_____
Net Property and Equipment	\$=====	\$=====

^{1/} Indicate valuation method use, such as “historical cost”, “estimated cost,” “fair market value,” etc.

^{2/} Insert “straight-line” or the particular accelerated method used.

^{3/} Insert minimum and maximum useful lives.

NOTE 9 - NOTES PAYABLE

Notes payable at _____, _____ and _____ consisted of the following:

Mortgage Note (collateralized by office facility), _____% , due in <u>(year)</u> , payable in monthly installments of \$ _____, including interest, through <u>(month & year)</u> , at which time the interest will be negotiated	\$ _____	\$ _____
Other, Not Collateralized	_____	_____
Total	\$ _____	\$ _____

Aggregate annual principal payments, at interest rates in effect at _____, _____, are as follows:

Years Ended: _____	20__ ^{1/}	\$ _____
	20__	_____
	20__	_____
	20__	_____
	20__	_____
	20__ - 20__	_____
	Total	\$ _____

^{1/} Schedule future payments by year for the next five years. Then, add a line which shows total payments for all years thereafter.

NOTE 10 - UNPAID CLAIMS LIABILITIES

As discussed in Note 2, the Pool establishes a liability for both reported and unreported insured events, which includes estimates of both future payments of losses and related claim adjustment expenses, both allocated and unallocated. The following represents changes in those aggregate liabilities for the Pool during the current and previous year:

	<u> </u>	<u> </u>
Unpaid Claims and Claim Adjustment Expenses at Beginning of Year	\$ <u> </u>	\$ <u> </u>
Incurred Claims and Claim Adjustment Expenses:		
Provision for Insured Events of the Current Year	<u> </u>	<u> </u>
Increases in Provision for Insured Events of Prior Years	<u> </u>	<u> </u>
Total Incurred Claims and Claim Adjustment Expenses	\$ <u> </u>	\$ <u> </u>
Payments:		
Claims and Claim Adjustment Expenses Attributable to Insured Events of the Current Year	\$ <u> </u>	\$ <u> </u>
Claims and Claim Adjustment Expenses Attributable to Insured Events of Prior Years	<u> </u>	<u> </u>
Total Payments	\$ <u> </u>	\$ <u> </u>
Total Unpaid Claims and Claim Adjustment Expenses at End of the Year	\$ <u> </u>	\$ <u> </u>

At _____, _____, \$ _____ of unpaid claims and claim adjustment expenses are presented at their net present value of \$ _____. These claims are discounted at annual rates ranging from _____ to _____ percent. Unpaid claims expenses of \$ _____ are not reported in the _____, _____ year-end balances because the Pool has purchased annuities in claimants' names to settle those claims.

NOTE 11 - CONSTRUCTION IN PROGRESS

Construction in progress represents expenses to date on projects whose authorizations total \$_____.^{1/} Of the committed balance of \$_____, the Pool will be required to raise \$_____ in future financing.^{2/}

NOTE 12 - SELF-INSURANCE^{3/}

Most of the (The) participating members of the Pool have elected to become self-insured for (unemployment insurance and workers' compensation). At _____, _____, reserves were as follows:

Unemployment	\$ _____
Workers' Compensation	_____

(The Pool is required by the state to set aside for protection to the Workers' Compensation Fund \$_____ in cash reserves plus an additional \$_____ in escrow.)

^{1/} Total construction project budgets should be included here.

^{2/} If there are numerous construction projects, this information should be presented in a schedule like the example below:

Construction in progress is composed of the following:

<u>Project Description</u>	<u>Project Authorization</u>	<u>Expended to 12/31/</u>	<u>Committed</u>	<u>Required Future Financing</u>
Project No. 1	\$ 90,000	\$ 89,000	\$ 1,000	None
Project No. 2	80,000	-	80,000	\$ 80,000
Project No. 3	<u>50,000</u>	<u>46,000</u>	<u>4,000</u>	<u>None</u>
Total Projects	<u>\$220,000</u>	<u>\$135,000</u>	<u>\$ 85,000</u>	<u>\$ 80,000</u>

^{3/} Use this note only if the entity has elected some form(s) of self-insurance.

NOTE 13 - LEASE COMMITMENTS

a. Operating Lease(s) ^{1/}

The (pool name) is committed under various leases for _____.^{2/} These leases are considered operating leases for accounting purposes. Lease expenses for the year ended _____, _____ amounted to \$ _____. Future minimum rental commitments for these leases are as follows:

Year ^{3/}

20__	\$ _____
20__	_____
20__	_____
20__	_____
20__	_____
20__ - 20__	_____
Total	\$ _____

b. Capital Lease(s)

The (pool name) has entered into (a) lease agreement(s) for financing the acquisition of _____.^{4/} These lease agreements qualify as capital leases for accounting purposes and are recorded as assets and as long-term liabilities at the present value of the future minimum lease payments as of the date of their inception. The district records lease payments as reductions of the long-term liability and as interest expense over the life of the lease. The future minimum lease payments under these lease agreements are as follows:

Year ^{3/}

20__	\$ _____
20__	_____
20__	_____
20__	_____
20__	_____
20__ - 20__	_____
Less amount representing interest	_____
Present Value of Future Minimum Lease Payments	\$ _____

Depreciation policy for capitalized assets is described in (Fixed Assets Note No.).

^{1/} Prepare this part of the note for leases which are not capitalized.

^{2/} List the types of operating leases the pool has.

^{3/} List the payments by year for the next five years, then add a line that shows total payments for all years thereafter.

^{4/} List the types of leases.

NOTE 14 - PENSION PLANS

Substantially all (pool name) full-time and qualifying part-time employees participate in one of the following statewide retirement systems administered by the Washington State Department of Retirement Systems under cost-sharing multiple-employer defined benefit public employee retirement plans. The Department of Retirement Systems (DRS), a department within the primary government of the State of Washington, issues a comprehensive annual financial report containing historical trend information and may be obtained from the Department of Retirement Systems, Administrative Services Division, P.O. Box 48380, Olympia, WA 98504-8380. The following disclosures are made pursuant to GASB Statement 27, *Accounting for Pensions by State and Local Government Employers*.

Public Employees' Retirement System (PERS) Plans 1 and 2

Plan Description

PERS is a cost-sharing multiple employer retirement system. Membership in the system includes: elected officials; state employees; employees of the Supreme, Appeals, and Superior courts (other than judges in a judicial retirement system); employees of legislative committees; college and university employees (not in national higher education retirement programs); judges of district and municipal courts; non-certificated employees of school districts; and employees of local governments. The PERS system includes two defined benefit pension plans. Participants who joined the system by September 30, 1977, are Plan 1 members. Those joining thereafter are enrolled in Plan 2. Retirement benefits are financed from employee and employer contributions and investment earnings. Retirement benefits in both Plan 1 and Plan 2 are vested after completion of five years of eligible service. Retirement benefit provisions are established in state statute and may be amended only by the state legislature.

Plan 1 members are eligible for retirement at any age after 30 years of service, or at age 60 with five years of service, or at age 55 with 25 years of service. The annual pension is two percent of the average final compensation per year of service, capped at 60 percent. The average final compensation is based on the greatest compensation during any 24 eligible consecutive compensation months. If qualified, after reaching age 66, a cost-of-living allowance is granted based on years of service credit and is capped at three percent annually.

Plan 2 members may retire at age 65 with five years of service, or at age 55 with 20 years of service, with an allowance of two percent per year of service of the average final compensation. Plan 2 retirements prior to 65 are actuarially reduced. There is no cap on years of service credit and a cost-of-living allowance is granted, capped at three percent annually.

There are 1,205 participating employers in PERS. Membership in PERS consisted of the following at December 31, 1999:

Retirees and Beneficiaries Receiving Benefits	59,280
Terminated Plan Members Entitled To But Not Yet Receiving Benefits	16,133
Active Plan Members Vested	122,795
Active Plan Members Nonvested	73,587
Total	271,795

Funding Policy

Each biennium, the state Pension Funding Council adopts Plan 1 employer contribution rates and Plan 2 employer and employee contribution rates. Employee contribution rates for Plan 1 are established by statute at six percent and do not vary from year to year. The employer and employee contribution rates for Plan 2 are set by the director of the Department of Retirement Systems based on recommendations by the Office of the State Actuary to continue to fully fund Plan 2. All employers are required to contribute at the level established by state law. The methods used to determine the contribution requirements are established under state statute in accordance with Chapters 41.40 and 41.45 RCW.

The required contribution rates expressed as a percentage of current year covered payroll, as of December 31, 2000, were:

	PERS Plan 1	PERS Plan 2
Employer	4.67% *	4.67% *
Employee	6.00%	2.43%

* The employer rates do not include the employer administrative expense fee currently set at 0.23%.

Both (pool name) and the employees made the required contributions. The (pool name)'s required contributions for the years ended December 31 were:

	PERS Plan 1	PERS Plan 2
2000	\$	\$
1999	\$	\$
1998	\$	\$

NOTE 15 - DEFERRED DEBITS (OR CREDITS)^{1/}

In accordance with generally accepted accounting principles for regulated businesses, the Pool has deferred (losses, costs, receipts, etc.) of \$ _____ in _____, \$ _____ in _____, which will be amortized on the _____ method over _____ years. These (losses, costs, receipts, etc.) resulted from (brief description). These (charges or credits) would have been included in net income for _____ and _____, in nonregulated businesses, but for rate-making purposes they are treated as applicable to future periods.

NOTE 16 - POSTRETIREMENT BENEFITS OTHER THAN PENSION BENEFIT^{2/}

In addition to the pension benefits described in Note _____, the (pool name) provides postretirement health care benefits, in accordance with (authority under which the benefit is provided) ^{3/} to (number, category) employees who (description of eligibility for the benefits). ^{4/} Currently, (number) retirees meet those eligibility requirements.

The (pool name) reimburses _____ percent of the amount of validated claims for medical, dental, and hospitalization costs incurred by pre-Medicare retirees and their dependents. The Pool also reimburses a fixed amount of \$ _____ per month for a Medicare supplement for each retiree eligible for Medicare. ^{5/}

Employer contributions are financed on pay-as-you-go basis. ^{6/} Expenses for postretirement health care benefits are recognized as retirees report claims and include a provision for estimated claims incurred but not yet reported to the Pool.

During the year, expenses of \$ _____ were recognized for postretirement health care. ^{7/}

Approximately \$ _____ of the \$ _____ increase in expenses over the previous year was caused by the addition of dental benefits, effective (date). ^{8/}

^{1/} The need for the entire note depends on the particular circumstances of the public entity risk pool.

^{2/} Other postemployment benefits (OPEB) are benefits provided by an employer to plan participants, beneficiaries, and covered dependents through a plan or other arrangement that is separate from a plan to provide retirement income, except for postemployment health care benefits which are always OPEB. In addition to postemployment health care benefits, OPEB may include life insurance, disability income, tuition assistance, legal services, and other assistance programs. OPEB do not include social security benefits financed.

(FOOTNOTES CONTINUED)

through FICA payroll taxes. However, if the employer pays postretirement contributions applicable to retirees for additional Medicare benefits, those benefits should be considered postemployment health care benefits and should be included in all relevant disclosures. Whether a particular type of benefits should be consider pension benefits or OPEB depends on how the benefit is provided.

The note should be made for the pool as a whole, but if aggregate disclosure would be misleading, additional separate disclosures should be made for fund types or component units.

3/ Statute, contract, etc.

4/ Participants currently eligible for benefits are retirees, terminated employees, and beneficiaries for whom the pool is currently responsible for paying all or part of the premiums, contributions, or claims. Covered dependents should be counted as one unit with the participant.

5/ Describe the pool's and participants' obligation to contribute. The information must be quantified (percentage, dollars contributions rates, etc.).

6/ If OPEB are advance-funded on an actuarially determined basis, the employer should disclose the actuarial cost method and significant actuarial assumptions (including the interest rate, and, if applicable, the projected salary increase and the health inflation assumptions) used to determine funding requirements, and the method used to value plan assets.

7/ The amount should be net of participant contributions. If the benefit payments cannot be readily separated from expenses for similar types of benefits provided to active employees and their dependents, the entity may use reasonable methods to approximate the OPEB expenses. If this is not possible, the note should disclose that the OPEB expenses can not be reasonably estimated.

If OPEB are advance-funded on an actuarially determined basis additional information should be provided in this paragraph:

- the number of active plan participants,
- the pool's actuarially required and actual contributions for the period (net of participants contributions),
- the amount of the net assets available for the OPEB,
- the actuarial accrued liability and unfunded actuarial accrued liability for OPEB according to the actuarial cost method in use.

8/ Describe any significant matters that affected the comparability of the current year data with the previous periods.

Any additional information that the employer believes will help users assess the nature and magnitude of the cost of the employer's commitment to provide OPEB should also be disclosed.

NOTE 17 - ACCOUNTING CHANGES^{1/}

NOTE 18 - EXTRAORDINARY ITEMS^{2/}

NOTE 19 - PRIOR PERIOD ADJUSTMENTS^{3/}

1/ Any changes in accounting policies that could affect comparisons between financial statements should be disclosed here.

2/ Extraordinary items are events and transactions that are distinguished by their unusual nature and by the infrequency of their occurrence.

Thus, both of the following criteria should be met to classify an event or transaction as an extraordinary item:

- a. Unusual nature - the underlying event or transaction should possess a high degree of abnormality and be of a type clearly unrelated to, or only incidentally related to the ordinary and typical activities of the public entity risk pool.
- b. Infrequency of occurrence - the underlying event or transaction should be of a type that would not reasonably be expected to recur in the foreseeable future.

Descriptive captions and the amounts for individual extraordinary events or transactions should be presented, preferably on the face of the operating statement, if practicable. Otherwise, disclosure in related notes is acceptable. The nature of an extraordinary event or transaction and the principal items entering into the determination of an extraordinary gain or loss should be described.

3/ Adjustments related to prior periods (and thus excluded from the operating statements for the current period) are limited to: (a) corrections of material errors in the financial statements of a prior period; and, (b) other material adjustments which meet the criteria for prior period adjustments contained in the prescribed system of accounts. The circumstances surrounding each such adjustment should be separately explained in this note.

NOTE 20 - CONTINGENT LIABILITIES AND LITIGATION 1/

NOTE 21 - SUBSEQUENT EVENTS 2/

1/ This note should disclose any material contingent liabilities. These are items which are uncertain now, but may result in liabilities in the future, such as pending lawsuits, guarantees, etc.

2/ This note should disclose any events that occurred after the financial statement date and have a material effect on the operations of the public entity risk pool.

RISK POOLS

REQUIRED SUPPLEMENTARY INFORMATION

GENERAL INSTRUCTIONS

The sample required supplementary information which follow was designed to provide the disclosures required for public entity risk pools. They are intended to furnish you with ways of phrasing the disclosures you will need to make. Be sure to revise these sample documents to fit the unique circumstances of your pool, to delete disclosures that do not apply to your operations, and to add others that we did not include but which are needed to help a reader understand your financial statements.

The following revenue and claims development information should be included as required supplementary information *immediately after* the Notes To Financial Statements in the pool's financial reports.

- (1) A table that presents the following information:
 - (a) Amount of gross premium (or required contribution) revenue and reported investment revenue, amount of premium (or required contribution) revenue ceded, and amount of net reported premium (or required contribution) revenue (net of excess insurance or reinsurance) and reported investment revenue for each of the past ten fiscal years including the latest fiscal year.
 - (b) Amount of reported unallocated claim adjustment expenses (GASB Statement 10, paragraph 23) and reported other costs (GASB Statement 10, paragraph 31) for each of the past ten fiscal years including the latest fiscal year.
 - (c) Total gross amount of incurred claims and allocated claim adjustment expenses (both paid and accrued before the effect of loss assumed by excess insurers or reinsurers), loss assumed by excess insurers or reinsurers (both paid and accrued), and total net amount of incurred claims and allocated claim adjustment expenses (both paid and accrued). Amounts should be presented as originally reported at the end of each of the past ten accident years (for occurrence-based policies or contracts), report years (for claims-made policies or contracts), or policy years including the latest year. Amounts should be limited to provisions for claims resulting from events that triggered coverage under the policy or participation contract in that year. If amounts are not presented on an accident-year basis or a report-year basis, they should be reported on a policy-year basis. The basis of reporting should be used consistently for all years presented.
 - (d) The cumulative net amount paid as of the end of the accident year, report year, or policy year (as appropriate) and each succeeding year for each of the incurred claims and allocated expense amounts presented in (c) above.
 - (e) The reestimated amount for loss assumed by excess insurers or reinsurers as of the end of the current year for each of the accident years, report years, or policy years (as appropriate) presented in (c).
 - (f) The reestimated amount for net incurred claims and claim adjustment expenses as of the end of each succeeding year for each of the accident years, report years, or policy years (as appropriate) presented in (c).
 - (g) The change in net incurred claims and claim adjustment expenses from the original estimate, based on the difference between the latest reestimated amount presented in (f) above for each of the accident years, report years, or policy years (as appropriate) and the original net incurred claims and claim adjustment amounts reported in (c).

Percentage information (for example, the percentage of gross incurred claims and claim adjustment expenses assumed by excess insurers or reinsurers) may be presented but is not required. If presented, this information should not obscure or distort required elements of the table.

- (2) In addition to the reconciliation of total claims liabilities (GASB Statement 10, paragraph 49g), a reconciliation of claims liabilities by type of contract, including an analysis of changes in liabilities for claims and claim adjustment expenses for the current fiscal year and the prior year, in the same tabular format required by the GASB Statement 10, paragraph 49g.
- (3) During the transition period when the ten years of information about claims liabilities and claim adjustment expenses may not be available, all information required by item (1) above should be presented only for as many years as that information is available. If changes in a pool's loss, expense, reinsurance, excess insurance, or other transactions materially affect pool revenues, expenses, or liabilities in a manner not fairly disclosed or presented in the tables above, the pool should expand these disclosures to show additional detail (such as separate information for each type of contract) to keep the schedules from being misleading or to keep trends from becoming obscured.

(Pool Name)
REQUIRED SUPPLEMENTARY INFORMATION
_____, _____ Through _____, _____

This required supplementary information is an integral part of the accompanying financial statements.

(NOTE: The following tables should be presented immediately after the Notes To Financial Statements. The information contained in these tables should be modified to fit the needs of each public entity risk pool.)

1. Ten-Year Claims Development Information

The table below illustrates how the pool's earned revenues (net of reinsurance) and investment income compare to related costs of loss (net of loss assumed by reinsurers) and other expenses assumed by the pool as of the end of each of the last ten years. The rows of the table are defined as follows:

1. This line shows the total of each fiscal year gross earned contribution revenue and investment revenue, contribution revenue ceded to reinsurers, and net earned contribution revenue and reported investment revenue.
2. This line shows each fiscal year's other operating costs of the pool including overhead and claims expense not allocable to individual claims.
3. This line shows the pool's gross incurred claims and allocated claim adjustment expenses, claims assumed by reinsurers, and net incurred claims and allocated adjustment expenses (both paid and accrued) as originally reported at the end of the first year in which the event that triggered coverage under the contract occurred (called policy year).
4. This section of ten rows shows the cumulative net amounts paid as of the end of successive years for each policy year.
5. This line shows the latest reestimated amount of claims assumed by reinsurers as of the end of the current year for each accident year.
6. This section of ten rows shows how each policy year's net incurred claims increased or decreased as of the end of successive years. (This annual reestimation results from new information received on known claims, reevaluation of existing information on known claims, as well as emergence of new claims not previously known.)
7. This line compares the latest reestimated net incurred claims amount to the amount originally established (line 3) and shows whether this latest estimate of net claims cost is greater or less than originally thought. As data for individual policy years mature, the correlation between original estimates and reestimated amounts is commonly used to evaluate the accuracy of net incurred claims currently recognized in less mature policy years. The columns of the table show data for successive policy years.

Fiscal and Policy Year Ended
(In Thousands)

	<u>19W9</u>	<u>19X0</u>	<u>19X1</u>	<u>19X2</u>	<u>19X3</u>	<u>19X4</u>	<u>19X5</u>	<u>19X6</u>	<u>19X7</u>	<u>19X8</u>
1. Required contribution and investment revenue:										
Earned	\$908	\$957	\$1,357	\$1,493	\$1,479	\$1,595	\$1,811	\$1,993	\$2,192	\$2,411
Ceded	<u>366</u>	<u>387</u>	<u>559</u>	<u>615</u>	<u>624</u>	<u>686</u>	<u>754</u>	<u>830</u>	<u>913</u>	<u>1,004</u>
Net earned	542	570	798	878	855	909	1,057	1,163	1,279	1,407
2. Unallocated expenses	64	68	81	91	70	81	92	110	123	131
3. Estimated claims and expenses end of policy year:										
Incurred	287	303	453	503	569	651	780	909	1,092	1,512
Ceded	<u>52</u>	<u>54</u>	<u>96</u>	<u>111</u>	<u>129</u>	<u>148</u>	<u>168</u>	<u>186</u>	<u>210</u>	<u>251</u>
Net incurred	235	249	357	392	440	503	612	723	882	1,261
4. Net paid (cumulative) as of:										
End of policy year	118	124	179	196	220	251	306	361	450	641
One year later	177	186	268	294	330	377	459	542	675	
Two years later	254	268	385	422	474	542	660	779		
Three years later	304	321	461	506	568	649	790			
Four years later	359	379	545	597	671	766				
Five years later	404	427	614	673	756					
Six years later	445	469	674	740						
Seven years later	473	499	717							
Eight years later	473	499								
Nine years later	473									
5. Reestimated ceded claims and expenses	104	109	160	174	184	195	211	217	234	251
6. Reestimated net incurred claims and expenses:										
End of policy year	235	249	357	392	440	503	612	723	900	1282
One year later	294	311	447	490	550	628	765	903	1125	
Two years later	338	357	513	563	632	722	879	1038		
Three years later	380	401	577	632	710	811	988			
Four years later	422	446	641	703	789	902				
Five years later	449	474	682	748	840					
Six years later	468	494	710	779						
Seven years later	473	499	717							
Eight years later	473	499								
Nine years later	473									
7. Increase (decrease) in estimated net incurred claims and expenses from end of policy year	238	250	360	387	400	399	376	315	225	0

2. Reconciliation Of Claims Liabilities By Type Of Contract

The schedule below presents the changes in claims liabilities for the past two years for the pool's two types of contracts: property and casualty, and employee health and accident benefits.

	<u>Property and Casualty</u>		<u>Employee Health and Accident</u>	
	<u>(In Thousands)</u>		<u>(In Thousands)</u>	
Unpaid Claims and Claim Adjustment Expenses at Beginning of the Fiscal Year	_____	_____	_____	_____
Incurred Claims and Claim Adjustment Expenses:				
Provision for Insured Events of the Current Fiscal Year	_____	_____	_____	_____
Increases in Provision for Insured Events of Prior Fiscal Years	_____	_____	_____	_____
Total Incurred Claims and Claim Adjustment Expenses	=====	=====	=====	=====
Payments:				
Claims and Claim Adjustment Expenses Attributable to Insured Events of the Current Fiscal Year	_____	_____	_____	_____
Claims and Claim Adjustment Expenses Attributable to Insured Events of Prior Fiscal Years	_____	_____	_____	_____
Total Payments	=====	=====	=====	=====
Total Unpaid Claims and Claim Adjustment Expenses at End of the Fiscal Year	=====	=====	=====	=====

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RISK POOLS

SUPPLEMENTAL SCHEDULES

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SCHEDULE 19 - LABOR RELATIONS CONSULTANT(S)

The 1993 Legislature has required the State Auditor's Office to collect information regarding the role labor relations consultants play in local governments. This reporting requirement is found in RCW 43.09.230, as amended by the 1993 Legislature. The statute provides that "the legislature finds and declares that the use of outside consultants is an increasing element in public sector labor relations. The public has a right to be kept informed about the role of outside consultants in public sector labor relations. The purpose of this act is to help ensure that public information is available."

Labor relations is a broad spectrum of activities which concern the relationship of employees as a group with the local government as employer. It includes employee representation issues, negotiation of contracts, and preparation and conduct of interest arbitrations.

A *labor relations consultant* is someone who agrees to perform such services for compensation. For example, a labor relations consultant includes an attorney or other professional engaged by the local government to negotiate a collective bargaining agreement. It would not include a firm engaged to establish a personnel manual or to prescreen job applicants. The determining factor is the substance of services the consultant has been engaged to perform.

This schedule is used to identify expenditures for labor relations consultants. Disclosure should include identification of each consultant and the terms and conditions of each agreement.

The schedule is required to be filed with the State Auditor's Office whether or not your pool has labor relations consultants. Prepare a schedule for each consultant. Alternative formats are acceptable, including spreadsheets, as long as the required information is provided.

(POOL NAME)

SCHEDULE OF LABOR RELATIONS CONSULTANT(S)**For the Year Ended** _____Has your pool engaged labor relations consultant(s)? ☐ Yes ☐ No

If yes, please provide the following information for each consultant(s):

Name of Firm
Name of Consultant
Business Address
Amount Paid to Consultant During Fiscal Year
Terms and Conditions, as Applicable, Including: Rates (e.g., Hourly, etc.) _____ Maximum Compensation Allowed _____ Duration of Services _____ Services Provided _____ _____

Certified Correct this _____ day of _____, _____ to the best of my knowledge and belief:
Signature
Name
Title

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STATISTICAL DATA

Schedule T-1

(Pool Name)

1. Fiscal year: _____, _____ - _____, _____

2. Type of pool:

- a. Property _____
- b. Casualty _____
- c. Liability _____

Organization of above type pool:

- _____ Joint purchasing only
- _____ Joint purchasing with self-insured retention
- _____ Self-insurance with pool purchased excess policy
- _____ Self-insurance only
- _____ Other (identify)

- d. Unemployment
- e. Workers' compensation

3. List all pool purchased insurance policies:

a. Jointly purchased policies for participating members.

- (1) Type of policy
- (2) Insurance company
- (3) Period of coverage(s)
- (4) Amount of coverage(s)
- (5) Premium cost
- (6) Pool self-insured retention limit
- (7) Participating member self-insured retention limit

b. Purchased policies for pool.

(1) - (7) same as above.

4. Type of pool organization:

- a. _____ Municipal corporation
- b. _____ Quasi-municipal corporation
- c. _____ Private nonprofit corporation

5. Date pool approved by State Risk Manager: _____, _____.

6. Date pool began operations: _____, _____.

7. Do you use a broker to obtain any of the above listed purchased insurance policies?
- _____ YES _____ NO. If YES, indicate which policies each broker obtains for the pool. If NO, indicate whether you have a qualified broker on staff. If neither, indicate the process by which you obtain these purchased insurance policies.
8. Do you use a surplus line of coverage broker in your pool operation?
- _____ YES _____ NO. If YES, identify the broker and policy involved. Explain why it is necessary to use this arrangement for the insurance coverage(s) you obtain for the pool and/or participating members.
9. Are local insurance agents involved in any way with the operation of your pool (except for the use of brokers as identified above)?
- _____ YES _____ NO. If YES, please describe their function.
10. Are your pool offices:
- a. Separate from any other government?
- (1) Provide complete mailing address and telephone number.
(2) Provide name of contact point.
(3) Number of employees on staff: _____.
- b. Contained within a host government?
- (1) Identify host and provide complete mailing address and telephone number.
(2) Provide name of contact point.
(3) Number of employees of host government dedicated to pool functions? _____.
11. Public treasury function used:
- a. _____ Pool acts as own treasurer.
b. _____ Pool uses a county treasurer direct (identify).
c. _____ Pool uses a participating member associated with a county treasurer (identify both).
d. _____ Pool uses a participating member who acts as own treasurer (identify).
12. Pool investment policy:
- a. _____ Pool invests own funds directly.
b. _____ Pool has a county treasurer invest funds.
c. _____ Pool invests funds with the State Investment Board.

13. Describe the governing body of your pool, how many members there are, and how often they meet. Examples follow:
- a. The board of directors is responsible for overall policy and procedures of the pool. It has one voting member from each participating government entity, and meets annually.
 - b. The day-to-day operations of the pool are governed by a management committee. It is composed of nine voting members who are elected by the board of directors, and meets monthly.
14. Are pool claims:
- a. Administered by pool staff? ☐ YES ☐ NO.
 - b. Administered by a third party administrator? ☐ YES ☐ NO.
If YES, identify the name and address of the firm.
15. Does the pool use the services of an actuary? ☐ YES ☐ NO.
If YES, identify the name and address of the firm.
16. Does your pool use the services of a private certified public accountant (other than the State Auditor's Office)?
☐ YES ☐ NO. If YES, identify the name and address of the firm, and the type of accounting/auditing services provided.

Were these services obtained by contract through the State Auditor's Office?

☐ YES ☐ NO.

LIST OF PARTICIPATING MEMBERS

Schedule T-2

(Pool Name)

(NOTE: List all participating members of your public entity risk pool in alphabetical order. Indicate any other identifying data you feel would be appropriate.)

RISK POOL MEMBER

NOTES TO FINANCIAL STATEMENTS

NOTE: (a) The document which follows is only a sample to illustrate a portion of the Notes To Financial Statements for a participating pool member. This document should be tailored to meet the needs of each individual public entity risk pool and distributed to each participating pool member for use in the Notes To Financial Statements for their annual financial reports, (b) this information may also be used to describe the general operations of the public entity risk pool, and (c) this should be sent to each participating member of the pool.

NOTE X - RISK MANAGEMENT (for participating member of pool)

or

NOTE 1 - GENERAL (for public entity risk pool)

The (city/county/district) is a member of the (pool name) (Pool). Chapter 48.62 RCW authorizes the governing body of any one or more governmental entities to form together into or join a pool or organization for the joint purchasing of insurance, and/or joint self-insuring, and/or joint hiring or contracting for risk management services to the same extent that they may individually purchase insurance, self-insure, or hire or contract for risk management services. An agreement to form a pooling arrangement was made pursuant to the provisions of Chapter 39.34 RCW, the Interlocal Cooperation Act. The Pool was formed on (date) when (city/county/district) in the state of Washington joined together by signing an Interlocal Governmental Agreement to pool their self-insured losses and jointly purchase insurance and administrative services. (Number of participating members) (city/county/district) have joined the Pool.

The Pool allows members to (state purposes: i.e., jointly purchase insurance coverage, establish a plan of self-insurance, and provide related services, such as risk management, etc.). (State type of policy coverage: i.e., coverage for public official liability is on a “claims made basis.” All other coverages are on an “occurrence” basis.) The Pool provides the following forms of group purchased insurance coverage for its members: list by type of policy: i.e., property, liability, vehicle, other mobile equipment, electronic data processing equipment, bonds of various types, excess liability, public official liability, and machinery breakdown, etc.

Members make an annual contribution to fund the Pool. The Pool acquires insurance from unrelated underwriters that are subject to a per-occurrence deductible of \$_____. Members are responsible for the first \$_____ of the deductible amount of each claim, while the Pool is responsible for the remaining \$_____. Insurance carriers cover all losses over \$_____ to the maximum limits of each policy. Since the Pool is a cooperative program, there is a joint liability among the participating members.

Each new member pays the Pool an admittance fee. This amount covers the member’s share of organizational expenses and the cost of analyzing their loss data and risk profile. Members contract to remain in the Pool for a minimum of (number) year(s), and must give notice (number) year(s) before terminating participation. The Interlocal Governmental Agreement is renewed automatically each year after the initial (number) year period. Even after termination, a member is still responsible for contributions to the Pool for any unresolved, unreported, and in-process claims for the period they were a signatory to the Interlocal Governmental Agreement.

The Pool is fully funded by its member participants. Claims are filed by members with (name of third party administrator, if appropriate), which has been contracted to perform claims adjustment, loss prevention, and property appraisal services for the Pool. Fees paid to the third party administrator under this arrangement for the years ended _____, 1/ and 2/, were \$_____ and \$_____, respectively, which included fees for appraisal services. For 3/, the Pool has contracted with the third party administrator to perform claims adjustment and loss prevention services for \$_____.

The Pool is governed by a board of directors which is comprised of one designated representative from each participating member. An executive committee is elected at the annual meeting, and is responsible for conducting the business affairs of the Pool.

1/ Insert current reporting year.

2/ Insert previous reporting year.

3/ Insert next reporting year.